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FOREIGN SERVICE DESPATCH

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FROM : AMEMBASSY, GUATEMALA

771 DESP. NO. F7900C1-1321

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 6, 1953 DATE

REF :

Action Assigned to MAR 9 1953

Action Taken

18 For Dept. Use Only hm	ACTION OLI	DEPT.	REP ARA E I IBS IFI RE IPS IIAA
	RECD MAR 9	INFO OTHER	CSD SEC AG COMM FRB IN TAR TR XMB ARMY NAVY AIR CL

SUBJECT: WEEKA NO. 10 - ECONOMIC SECTION

Action Office Symbol

SECTION II Name of Officer

Directed to Officer

DECLASSIFICATION DATE 1/30/79 PER Emmm OFFICE ARA FADRC FOI CASE NO. 74032

FILES

Summary

Guatemalan business circles reacted unfavorably to President ARBENZ' March 1 message to Congress, stating that the President had failed to offer them any effective encouragement and had left no doubt of his intention to continue pursuing policies which have depressed business for almost a year. Businessmen reported February sales as very poor in all lines and the address served only to increase their general pessimism.

The Rules Committee of Congress announced that one of the first items to be discussed in the session which began March 1 would be the $20,000,000 bond issue to finance the Executive's four-year public works program. A 25-mile section of the Pan American Highway was inaugurated in a ceremony attended by high Government officials and the Diplomatic Corps.

President Arbenz' Message to Congress

President Arbenz' March 1 message to Congress vigorously defended the Government's economic policies and forecast their continuance. The President stressed that agrarian reform was pivotal in his program of developing a "modern capitalistic economy ... by profoundly changing backward agricultural production." He said that there was no ground for fears that the Agrarian Reform Law was the forerunner of legislation which would expropriate urban and industrial property but that on the contrary his administration sought to increase and guarantee private investment. He claimed that it was totally false to attribute to the internal political situation the

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business downturn which began in May 1952, and said that the depression was due to overstocking and speculation and the low domestic wage level. Admitting that high coffee production and prices had been the prime support of the national economy, he warned of the disastrous consequences of a drop in future quotations and said that to avoid that danger the Government was encouraging the production of cotton, wheat, rice, rubber, lumber, etc.

The business community reacted unfavorably to the message. They felt that the President's promises to aid private capital were vague and there was little hope for the restoration of confidence in the light of his failure to acknowledge the one-sided administration of agrarian reform and support of Communist-dominated labor organizations.

Economic Development

The Rules Committee of Congress announced this week that one of the first items on the agenda of the regular session which began March 1 would be the approval of the $20,000,000 bond issue to finance the Executive's four-year public works plan. Congress' favorable response to President Arbenz' request in his March 1 message for early implementation of the program suggests that the project may be speedily approved.

The President, in speaking of the program, had announced plans to build a large Government-owned hydroelectric system "in order to solve the grave economic and social problems involved" and said that construction of a port at Santo Tomás could begin within a month if Congress approved the pending bill. He did not mention that the hydroelectric station and the dock would seriously affect the operations of the United States-owned "Empresa Electrica", which supplies electric power to the Guatemala City area, and the International Railways of Central America, which operate a dock at Puerto Barrios, about three miles from Santo Tomás (WEEKA No. 9).

Highways

Following the February 21 opening of the final gap in the road from Guatemala City to the Pacific coast port of San José (WEEKA No. 9), President Arbenz on February 28

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inaugurated a 25-mile section of the Pan American Highway which extended that road to a point 38 miles north of the capital. In the addresses made by Dr. Raúl OSEGUEDA, Minister of Foreign Affairs, and Sr. Constantino BERNASCONI, Director General of Roads, it was stated that the United States had contributed $767,516.62 of the $1,588,430.00 total cost of the 25-mile stretch. The section which was inaugurated in fact included only 10 miles of new road; the other 15 miles had been completed and opened to traffic more than a year ago.

R. E. Schoenfeld

Rudolf E. Schoenfeld

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